

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

EA-09 FRB-01 INR-07 IO-13 NEA-10 NSAE-00 USIA-15

OPIC-06 SP-02 TRSE-00 CIEP-02 LAB-04 SIL-01 OMB-01

ERDA-07 DODE-00 FEAE-00 FPC-01 H-02 INT-05 L-03

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TO SECSTATE WASH DC PRIORITY 2779

INFO ALL IEA CAPITALS 0031

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E.O. 11652: N/A

TAGS: OECD, ENRG, IEA

SUBJECT: IEA: STATEMENT BT ASSISTANT SECRETARY

GREENWALD AT JULY 5-6 GOVERNING BOARD MEETING

CONCERNING REDUCED OIL IMPORT DEPENDENCY

OBJECTIVES

BEGIN TEXT: I THINK IT IS PARTICULARLY IMPORTANT AT THIS POINT IN THE AGENCY'S ACTIVITY THAT WE NOT ONLY COMPLETE THE REMAINING ISSUES IN THE LONG-TERMPROGRAM BUT ALSO HAVE A POLICY LEVEL DISCUSSION OF THE OBJECTIVES OF OUR LONG-TERM COOPERATIVE EFFORTS AND THEIR RELATIONSHIP TO OUR OBJECTIVES IN THE DIALOGUE WITH OIL PRODUCERS.

OUR OVERALL ENERGY COOPERATION IS BUILT UPON A CLEAR CONSENSUS THAT THE EXCESSIVE DEPENDENCE OF THE INDUSTRIALIZED COUNTRIES ON IMPORTED OIL HAS CREATED A DANGEROUSLY UNSTABLE STRUCTURE OF ENERGY SUPPLY AND DEMAND IN THE WORLD. WE DO NOT NOW FACE UNDER NORMAL

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CIRCUMSTANCES, A SHORTAGE OF ENERGY. BUT, AS WE KNOW,

EVEN IN THE SHORT-TERM OUR EXCESSIVE DEPENDENCE ON IMPORTED OIL DOES CARRY WITH IT UNACCEPTABLE VULNERABILITY, POLITICAL AS WELL AS ECONOMIC, TO SUPPLY INTERRUPTIONS AND INCREASES IN OIL PRICES OVER WHICH THE NORMAL MARKET FORCES OF SUPPLY AND DEMAND HAVE VERY LIMITED INFLUENCE. OVER THE LONGER-TERM, HOWEVER, OUR HEAVY RELIANCE ON IMPORTED OIL WOULD NOT ONLY MEAN CONTINUED THREAT TO OUR ECONOMIC WELL-BEING BUT WOULD ALSO CREATE A GRAVE RISK THAT THE WORLD WOULD NOT IN FACT HAVE ADEQUATE SUPPLIES OF ENERGY.

THE REVISION OF THE LONG-TERM ENERGY ASSESSMENT IS NOT YET COMPLETE. BUT ITS TENTATIVE PROJECTIONS OF DEMAND FOR OPEC OIL OVER THE NEXT 10 YEARS SHOW THAT, ON THE BASIS OF THE ENERGY CONSERVATION AND PRODUCTION POLICIES NOW IN PLACE IN OUR COUNTRIES, TOTAL DEMAND FOR OPEC OIL COULD RISE TO AS MUCH AS 37 MILLION BARRELS PER DAY BY 1985, COMPARED TO ONLY 27 MILLION BARRELS A DAY IN 1975.

THESE PROJECTIONS FORECAST AN ENERGY FUTURE THAT IS CLEARLY NOT ACCEPTABLE, EITHER IN TERMS OF OUR OWN ECONOMIC WELL-BEING OR IN TERMS OF A GLOBAL STRUCTURE OF SUPPLY AND DEMAND. OPEC EXPORTS AT THAT LEVEL IN 1985 WOULD REQUIRE MAXIMUM PRODUCTION BY NEARLY ALL PRODUCERS. THERE IS A REAL QUESTION WHETHER THAT MUCH OIL WOULD IN FACT BE AVAILABLE OR WHETHER SOME OF THE BIG PRODUCERS WOULD NOT CHOOSE TO IMPOSE PRODUCTION CEILINGS, EITHER TO CONSERVE THEIR OWN DWINDLING RESERVES OR FOR OTHER REASONS.

WE HAVE RECOGNIZED IN THE IEA THAT A SUCCESSFUL DIALOGUE WITH PRODUCERS CAN SERVE TO SOME EXTENT TO LIMIT THE SHORT-TERM INSTABILITY OF ENERGY MARKETS. OVER THE LONGER TERM, AN EFFECTIVE DIALOGUE CAN ALSO BE AN IMPORTANT MECHANISM FOR ENSURING A RATIONAL EVOLUTION OF GLOBAL ENERGY SUPPLY AND DEMAND. BUT WE MUST ALSO RECOGNIZE THAT THE DIALOGUE IS NO SUBSTITUTE FOR OUR OWN EFFECTIVE ACTION ON ENERGY SUPPLY AND DEMAND, AND A FAILURE TO DEMONSTRATE THAT WE ARE

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COMMITTED TO SUCH ACTION WOULD IN FACT GRAVELY JEOPARDIZE THE SUCCESS OF THE DIALOGUE ITSELF.

OUR CURRENT FORECAST OF THE LIKELY EVOLUTION OF DEMAND FOR OPEC OIL CARRIES SERIOUS IMPLICATIONS FOR THE FUTURE OF OUR DIALOGUE WITH THE PRODUCERS. WE WILL LOSE VIRTUALLY ALL CREDIBILITY IN THAT DIALOGUE IF THE PRODUCERS CONCLUDE THAT, DESPITE THE EVENTS OF THE

PAST THREE YEARS, THERE WILL BE NO SIGNIFICANT SHIFT IN THE RISING TREND OF WORLD DEMAND FOR THEIR OIL. THEY WILL CHARGE THAT THE INDUSTRIALIZED COUNTRIES HAVE FAILED TO ACCEPT RESPONSIBILITY FOR THE CREATION OF A BETTER STRUCTURE OF ENERGY SUPPLY AND DEMAND OVER THE LONGER-TERM.

IN THE LONG-TERM COOPERATIVE PROGRAM, THE IEA COUNTRIES HAVE TAKEN A SERIES OF MAJOR POLITICAL

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COMMITMENTS TO NATIONAL AND COOPERATIVE ACTION TO REDUCE DEPENDENCE ON IMPORTED OIL. WE MUST MOVE URGENTLY TO IMPLEMENT THESE COMMITMENTS IN THE AREAS OF JOINT PROJECTS, EXPANDED R & D COOPERATION, ETC. HOWEVER, IT IS ALSO URGENT THAT WE ARTICULATE PUBLICLY AND MAKE CREDIBLE OUR COMMITMENT TO REDUCED DEPENDENCE. IF WE

FAIL TO DO SO, WE WILL RISK A SERIOUS LOSS OF POLITICAL
MOMENTUM IN CONSUMER COOPERATION AND PREJUDICE THE
SUCCESS OF THE DIALOGUE.

WE HAVE ALREADY TAKEN A COMMITMENT IN THE IEA LONG-
TERM PROGRAM TO ESTABLISH IEA OBJECTIVES FOR REDUCED
DEPENDENCE ON IMPORTED OIL. IN FULFILLMENT OF THIS
COMMITMENT, WE SHOULD EACH ESTABLISH OUR OWN INDIVIDUAL
NATIONAL GOALS FOR ENERGY CONSUMPTION AND PRODUCTION.
THESE OBJECTIVES SHOULD BE BASED ON A CAREFUL EXAMINA-
TION OF CURRENT NATIONAL EFFORTS AND OUR ABILITY TO
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IMPROVE ON THESE, CONSISTENT WITH ACHIEVEMENT OF OUR
PRIMARY ECONOMIC POLICY OBJECTIVES OF REDUCED INFLATION,
REDUCED UNEMPLOYMENT, AND SATISFACTORY GROWTH. WE
SHOULD IDENTIFY POLICIES NECESSARY TO ACHIEVE THESE
OBJECTIVES. IN ADDITION, WE SHOULD PLAN TO HOLD A
MEETING OF THE GOVERNING BOARD AT MINISTERIAL LEVEL
WITHIN THE NEXT 6 TO 9 MONTHS AT WHICH OUR GOVERNMENTS
WOULD BE EXPECTED TO TAKE A POLITICAL COMMITMENT TO
THESE OBJECTIVES, POLICIES, AND THE RESULTING LEVEL OF
REDUCED IEA DEPENDENCE ON IMPORTED OIL. WE BELIEVE
THAT THE STANDING GROUP ON LONG TERM COOPERATION SHOULD
BE INSTRUCTED TO LAUNCH A PROCESS THROUGH WHICH SUCH
GOALS AND POLICIES, PROVIDED BY EACH COUNTRY, AS WELL
AS JOINT COOPERATIVE EFFORTS, CAN BE JOINTLY ASSESSED
AND FITTED INTO A COMMON FRAMEWORK OF CONSISTENT ACTION
THE ACHIEVEMENT OF WHICH WOULD REDUCE OUR COLLECTIVE
REQUIREMENTS FOR IMPORTED OIL OVER THE NEXT DECADE
TO MORE ACCEPTABLE LEVELS.

WE STRONGLY BELIEVE THAT SUCH NATIONAL REDUCED
DEPENDENCE OBJECTIVES, ESTABLISHED AND AGREED THROUGH A
JOINT PROCESS, ARE AN ESSENTIAL ELEMENT OF OUR OVERALL
COOPERATION. THESE OBJECTIVES, TOGETHER WITH POLITICAL
COMMITMENT BY GOVERNMENTS TO THE POLICY LINES NECESSARY
TO ACHIEVE THEM, WILL MAKE CONCRETE OUR REDUCED DEPEND-
ENCE GOAL AND GIVE PRACTICAL SUBSTANCE TO OUR COMMIT-
MENTS TO LONG-TERM COOPERATION. THIS SET OF NATIONAL
COMMITMENTS WILL PROVIDE AN ESSENTIAL BENCHMARK AGAINST
WHICH WE CAN ASSESS OUR RESPECTIVE EFFORTS IN OUR ANNUAL
REVIEWS OF NATIONAL PROGRAMS. MOREOVER, THEY WILL
STRENGTHEN OUR POSITION IN THE DIALOGUE BY DEMONSTRATING
TO THE PRODUCERS THAT WE HAVE DRAWN THE OBVIOUS CON-
CLUSIONS FROM THE ENERGY CHALLENGE AND ARE DETERMINED TO
ACT TO ASSURE THE DEVELOPMENT OF A SATISFACTORY STRUC-
TURE OF GLOBAL ENERGY SUPPLY AND DEMAND. END TEXT.
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